



United States African Development Foundation

Exploring Growth Opportunities
Assessing Industry Potential, Customer Profiles, Analyzing
Competition, Evaluating Growth Opportunities

March 9, 2007

Conducting A SWOT Analysis



Strengths

Opportunities

Weaknesses

Threats

Your 3 - Year Vision



Define Your Three-Year Vision

Articulate the core values, mission, and vision for your business.

- A. **Identify the core values for your business.** Refer to *My Core Values*
- B. **Write your mission statement.** Refer to *Clarifying My Mission*
- C. **Define your three-year vision.** Describe what you want your business to be like in three years. Include your role in the business, the employees you will have, the customers you will serve, and the products/services you will provide.

Identify Goals for Your Business



Identify Goals for Your Business

Create actionable goals that will focus your performance on what you want to achieve.

Directions

- Consider your SWOT analysis and your vision for your business.
- Set three to four goals for your business that are key to achieving your vision.

SMART Goal Setting

- Identify three to four specific goals you want to set for your business. Be sure your goals are specific, measurable, achievable, relevant and timely.

Goals for My Business

- **Specific**
- **Measurable**
- **Achievable**
- **Relevant**
- **Time-based**

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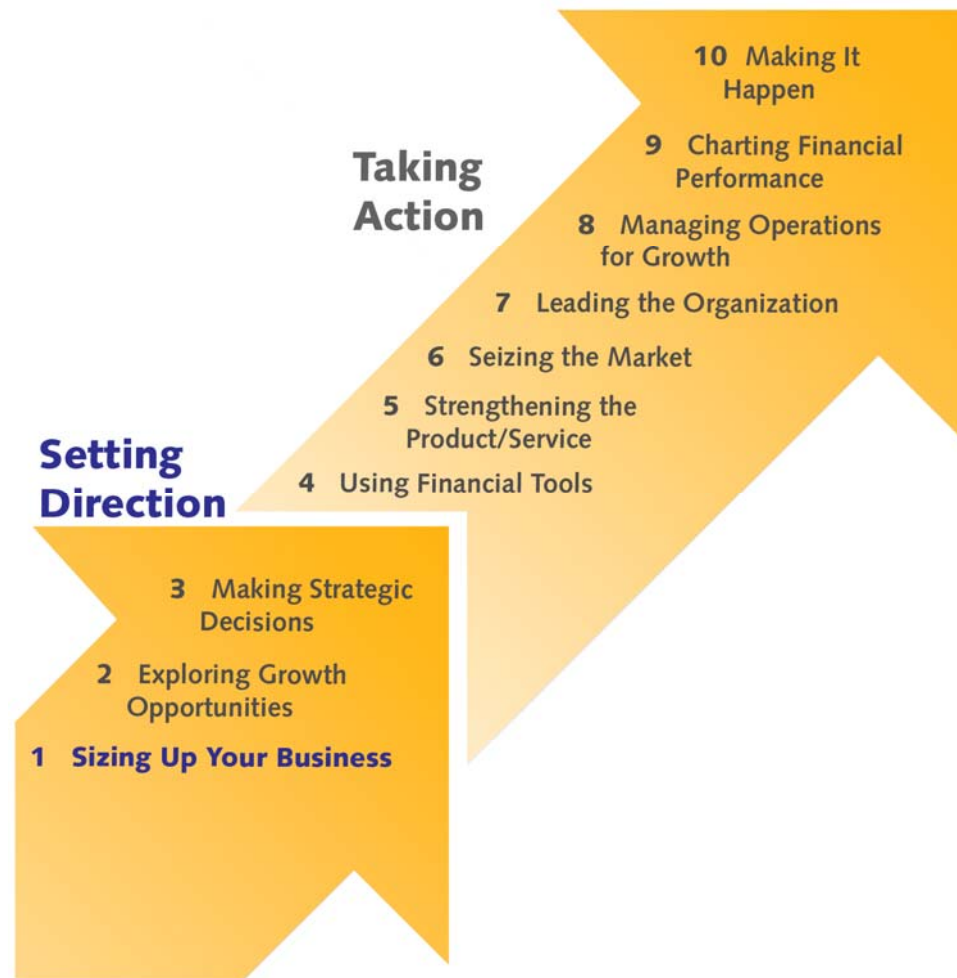


Reminder: We are assessing a new business growth and development program.

The primary objectives of the program are to help entrepreneurs effectively evaluate and improve their :

- Overall business strategy and vision for the future.
- Ability to maintain a competitive advantage in the marketplace.
- Changing role in managing their business.
- Readiness for growth and profitability potential.
- Focus and alignment of all aspects of the business.

FastTrac® GrowthVenture™ Modules



Session Objectives



Link to Yesterday

Yesterday we began our analysis process by evaluating MYGERIA's current business situation, clarifying our three year vision, and setting goals to achieve it.

Today's Session Objectives:

Today we will focus on two key questions:

1. What opportunities are right for MYGERIA?
2. What market research do I need to make decisions about my business?

We will do 5 exercises to address the questions and introduce analytical tools to:

1. Evaluate growth indicators that show MYGERIA's readiness for growth.
2. Assess our industry's (SME development) own potential for growth.
3. Develop customer profiles for our major customer groups: SMEs, government strategic partners, business strategic partners, banks, other donors.
4. Analyze direct, indirect and future competition.
5. Evaluate our growth opportunities from the perspective of sales potential, duration of the opportunity, risks, and our ability to compete.

Evaluating MYGERIA's readiness for growth.



- Two indicators of our business' ability to undertake growth: financial strength and stage of growth.
- Why financial strength?
 - Growth requires money to buy additional equipment, invest in added staff, and support the rest of the operation.
- Why stage of growth?
 - Businesses go through similar predictable stages, which will have a significant impact on the type and extent of growth that is appropriate to pursue.

Stages of Business Growth



1. Conception

- Entrepreneurs determine the feasibility of the business.

2. Start-up

- The business is launched: cash is tight, sales inconsistent, entrepreneurs modify products and services, experiment with various market penetration tactics, resources are scarce and must be used judiciously.

3. Early stage

- Customer responses validate the business concept and marketing efforts, but business struggles to find its competitive advantage. All activities are focused on increasing sales.

4. Growth

- Sales and profits are increasing, new customers and expanding markets. Cash flow, staffing and developing systems are issues because of costs. Minor modifications in the business' strategy as more is learned from market and customer responses.

Stages of Business Growth – continued



5. **Rapid growth**

– The business outpaces the industry growth rates and establishes itself as a viable concern. Some decide to sell their business at this stage.

6. **Maturity**

– Sales hit their highest point or may level off as a result of saturated or competitive markets. Profits decrease as prices are lowered to compete. Adopting a new strategy to maintain historic growth is important.

7. **Innovation or decline**

– Sales and profits start or continue their descent. Without innovation the business declines. New products and new markets are needed to recapture historic growth trends of the business.

Business Growth Indicators



Step 1: Review financial information

Assess financial strength in terms of sales, profits and cash flow.

Timing: Do it now to identify the financial constraints that may impact your decision.

Look at :

- a) Total sales for the last 12 months and the last two years.
- b) Sales by major category for the past 12 months and the past two years.
- c) Net profit the last 12 months and last two years.

Review sales and profits, what sales and/or profit trends, can you identify?

- a) Are internal sources of funds available for pursuing growth opportunities?
- b) Are you able to obtain external sources of funds for growth opportunities?

Step 2: Determine business' stage of growth. Based on your answers in step 1, is your business in the start-up, early stage, growth stage, rapid growth, maturity, or innovation/decline phase?

Assess Industry Potential



Research information to determine industry potential.

Conduct preliminary industry research now.

More in-depth when creating your marketing plan.

Directions

- Conduct preliminary market research to fill your information gaps and evaluate the SME's industry for growth and profit potential.
- List the information you want to find. Identify sources for this information.

Assess Industry Potential



Size and growth

- How many companies similar to ours exist nationally, regionally, and locally?
- How does the current size of the industry compare to historical figures from 5 to 10 years ago? Are sales growing, leveling off or declining?
- What are the total dollars spent, or the total number of new SME initiatives, by banks, donors, etc.

Profitability

- What are the industry's standards for gross margins and net profits percentages?
- What factors affect gross margins and net profits?

Trends and changes

- How has the way our business is conducted changed over the last 10 years?
- What other industries have a direct or indirect impact on ours?
- What other industries affect sales in our industry?

Develop Our Customer Profile



- **Identify major customer groups.**
- **Develop customer profiles.**
 - What benefits are the customers looking for?
 - What factors are most important to our customers?
 - Price
 - Quality
 - Brand name recognition
 - Customer service
 - Variety of services
 - Convenience of product and service
 - Technical support
 - Financing
 - Flexible repayment terms
- **Conduct research** – to verify the draft customer profile.

Direct, Indirect and Future Competition



- **Identify direct competitors** – Businesses, donors and organizations that provide products and services to the same target market. List your direct competitors, and the information you should/will collect on them.
- **Discover indirect competition** – List businesses that provide products and services that fill the same need as ours. This list will be longer than the direct competitor list, but it may be best to identify categories rather than to try to list specific entities.
- **Recognize other forms of competition** – Sometimes the customers will create the product or perform the service themselves. Other times, the customer may eliminate the contract entirely, when times are financially tough. Could this type of competition apply to our product or service?
- **Consider future competition** - When others note your success and counteract with a competitive strategy. How much time do we have before others begin competing for our customers?

Evaluate Growth Opportunities



Review your market research information – Highlight insights about the industry, potential customers, the competition, our business and the marketplace.

List your potential growth opportunities – Determine which opportunity is the best match for your business and marketplace.

- On a scale of 1 (least) to 5 (best) – rate the opportunity by answering :
 - Vision, Mission and Goals:*** Does the opportunity align with my vision, mission and goals?
 - Business Growth Readiness:*** Is my business ready for growth and does it have the financial strength to pursue and implement this opportunity?
 - Market potential:*** Will my business be able to compete in the market?
 - Is the window of opportunity for realizing sales and profits, sufficient in length?
 - Is the growth potential sufficient to make the option worthwhile?
 - Are the risks acceptable?
 - Does the opportunity match my business and the marketplace?

What additional research will I need to collect?

Discussion



- How relevant are the tools?
- What have we learned from ADF's experience to date re doing this type analysis?